



McComick Reports Second Quarter Results And Provides Latest 2015 Financial Outlook

July 1, 2015

SPRING, Mo., July 1, 2015 (PRNewswire - McComick & Company, Incorporated (NYSE: MCK), a global leader in food, today reported financial results for the second quarter ended May 31, 2015 and provided the latest outlook for fiscal year 2015.

- As a result of unfavorable currency rates, sales declined 1% in the second quarter of 2015 from the year-ago period. Excluding this impact, the company grew sales 6% in constant currency with increases in both business segments.
- Operating income was \$14 million in the second quarter of 2015 and included an unfavorable impact of \$19 million from special charges. Excluding the impact of special charges and unfavorable currency rates, adjusted operating income in constant currency rose 7% from \$122 million in the second quarter of 2014.
- Earnings per share was \$0.65 in the second quarter of 2015 and included an unfavorable impact of \$0.10 from special charges. Excluding the impact of special charges, adjusted earnings per share rose 17% to \$0.75 from \$0.64 in the second quarter of 2014, mainly due to a lower tax rate.
- For the 2015 fiscal year, the company reaffirmed its expected constant currency growth rate for sales and operating income. The projection for adjusted earnings per share was raised as a result of a lower expected tax rate for the fiscal year.

Chairman's Remarks
 Alan J. Wilson, Chairman and CEO, commented, "Our second quarter results demonstrated the effectiveness of our sales and profit growth strategies and continued momentum from the first quarter. Both our consumer and industrial segments delivered higher sales in constant currency across each region. We are doing this through developing innovative products, building brand equity and strengthening our customer relationships. Performance this period was particularly strong in our top emerging markets, with constant currency sales increases at a high single-digit rate in China and a double-digit rate in Mexico and across Eastern Europe and France. In developed markets, we are focusing on our U.S. consumer business with our pricing strategy, further share gains in major retail and increased sales of Zanussi. Through the first half of 2015 in constant currency, we had strong consumer business sales growth in France and Australia, and our Europe, Middle East and Africa region (EMEA) continues to drive sales to quick service restaurants. "Accelerations are another important avenue of growth for McComick each year. In developed markets, we are pleased to announce our first agreement in 2015. The addition of SABA, the leading U.S. brand of premium barbecue sauce will be an excellent complement to our portfolio of Grill Meats and other items that add flavor to the grill. Together with the acquisitions of DiGirola & Alimenti and Brand America, we have greater confidence in achieving the upper end of our 4% to 6% projected constant currency sales growth for 2015.

"Progress throughout the organization in making steady progress in lowering cost through our Continuous Cost Improvement (CCI) program and additional distribution activities, as well as our on track delivery at least \$60 million of cost savings in 2015. Through the first half, we have recorded \$10 million of special charges. Excluding these charges, our cost savings, along with our sales results and a favorable tax rate, contributed to higher adjusted earnings per share in the second quarter. We also focused on generating significant cash flow and through the first half achieved \$100 million in cash flow from operations. Based on our first half performance, strong execution and our 2015 outlook, we expect to deliver another year of solid financial performance for McComick shareholders."

Second Quarter 2015 Results
 While McComick reported 1% sales decline in the second quarter from the year-ago period in constant currency, sales grew 6% in constant currency. Consumer business sales rose 7% due to increased volume and product mix, offset by product innovation, brand marketing support and expanded distribution. The increase in sales was led by China, Eastern Europe, the U.S., Australia and France. In constant currency, industrial business sales grew 7% both from pricing actions to offset higher material costs and from higher volume and product mix. The rate of constant currency sales growth in EMEA, in the first quarter, \$20 million of special charges were recorded, with another \$10 million recorded in the second quarter.

Operating income was \$14 million in the second quarter net of excluding special charges. Adjusted operating income was \$122 million compared to \$122 million in the second quarter of 2014. In constant currency, adjusted operating income rose 7% from the year-ago period, with the favorable impact of sales growth and cost savings, partially offset by the unfavorable impact of higher material cost and increased retirement benefit expense. In 2015, the company expects to record an estimated \$4 million in special charges for costs associated with its North America effectiveness initiative and another \$20 million in the first quarter, \$20 million of special charges were recorded, with another \$10 million recorded in the second quarter.

In the second quarter of 2015, the tax rate was 16%. This was below the 20% tax rate in the second quarter of 2014, due primarily to \$13 million of discrete tax benefits recognized in the second quarter of 2015. Mainly due to the impact of these discrete tax benefits, the company has lowered its projected effective tax rate for fiscal year 2015 to approximately 27% from a prior estimate of 27% to 28%. This latest tax rate estimate is based on an underlying tax of approximately 29%. Including the impact of unfavorable currency income from unconsolidated operations in the second quarter of 2015 near 10%. This increase was primarily due to higher sales and favorable currency rates in the year-ago period in Mexico.

Earnings per share was \$0.65 in the second quarter of 2015 compared to \$0.64 in the year-ago period. Excluding the \$0.10 impact of special charges in the second quarter of 2015, adjusted earnings per share was \$0.75 compared to \$0.64 in the second quarter of 2014. This increase of \$0.11 was led by a more favorable tax rate, as well as the favorable impact of higher adjusted operating income, increased income from unconsolidated operations and lower shares outstanding. Net cash provided by operating activities was \$166 million compared to \$182 million in the first half of 2014.

2015 Financial Outlook
 The company reaffirmed its expectation to grow sales 4 to 6% in constant currency. Based on year-to-date results and prevailing exchange rates, the company continues to anticipate that currency will lower this sales growth range by 5 percentage points. In constant currency, the company reaffirmed its expectation to grow adjusted operating income 6% to 7% from adjusted operating income of \$608 million in 2014. On a reported basis, operating income is expected to decline 4% to 5% from operating income of \$653 million in 2014. This range includes the impact of an estimated \$4 million of special charges and an estimated 3 percentage point impact from currency. The company continues to expect cost reductions of at least \$60 million, that together with pricing actions, are expected to help offset higher material costs.

The company related its outlook for earnings per share by \$0.10, due to a reduction in the projected 2015 effective tax rate. As a result, the company expects its report earnings per share of \$1.18 to \$1.25. Excluding the estimated impact of \$0.20 from special charges, guidance for adjusted earnings per share is now \$1.47 to \$1.54. On a constant currency basis, this is a growth rate of 7% to 9% from 2014 adjusted earnings per share of \$1.37. In the third quarter of 2015, the company expects adjusted earnings per share to decline from the year-ago period as the result of the projected tax rate. In the third quarter of 2014, unfavorable currency effects and higher investment in brand marketing. Another source of strong cash flow is anticipated in 2015, with a return to interest to McComick's shareholders through dividends and share repurchases.

Business Segment Results

Consumer Business (in millions)	Three months ended		Six months ended	
	3/31/2015	3/31/2014	6/30/2015	6/30/2014
Net sales	\$ 108.8	\$ 112.1	\$ 214.4	\$ 226.2
Operating income	\$ 6.1	\$ 8.4	\$ 12.4	\$ 16.2
Operating income, excluding special charges	\$ 6.9	\$ 8.3	\$ 12.3	\$ 16.2

Consumer business sales declined 3% when compared to the second quarter of 2014. In constant currency, the company grew sales 3%, mainly due to increased volume and product mix.

- Consumer sales in the Americas grew 1% in constant currency, the increase was 2% with higher volume and product mix, and pricing actions taken to offset the impact of higher material costs. The higher volume and product mix this period was led by Grill Meats brand products, recipe mixes and Zanussi's items.
- Consumer sales in EMEA declined 1%, although in constant currency sales rose 4%. This increase was due to higher volume and product mix in France, Poland and Russia mainly driven by brand marketing support, product innovation and expanded distribution.
- Second quarter consumer sales in the Asia/Pacific region rose 4% in constant currency, sales grew 7% as a result of increased volume and product mix, in both China and Australia, the company grew sales at a double-digit rate in constant currency.

Consumer business operating income, excluding special charges, was \$8 million compared to \$8 million in the year-ago period. In constant currency, adjusted operating income was comparable to the year-ago period, with the favorable impact of sales growth and cost savings offset by the unfavorable impact of higher material costs, increased retirement benefit expense and product mix. Also in the second quarter, the company had a modest increase in acquisition-related transaction costs.

Industrial Business

Industrial Business (in millions)	Three months ended		Six months ended	
	3/31/2015	3/31/2014	6/30/2015	6/30/2014
Net sales	\$ 124.2	\$ 119.1	\$ 241.4	\$ 235.2
Operating income	\$ 8.7	\$ 5.0	\$ 16.1	\$ 6.1
Operating income, excluding special charges	\$ 8.8	\$ 5.0	\$ 16.2	\$ 6.1

Industrial business sales rose 1% when compared to the second quarter of 2014, with a constant currency increase was 7%. Pricing actions taken to offset higher material costs, as well as higher volume and product mix, contributed to the increase. In addition, acquisitions added 1 percentage point of the year-on-year growth in the second quarter.

- Industrial sales in the Americas rose 3%. In constant currency the increase was 5%, driven by higher pricing and 2 percentage points of growth from Brand Acumatica, acquired early in the second quarter. During the second quarter, strong customer demand and innovation for snack seasonings continued in both the U.S. and Latin America, although demand from quick service restaurants remained weak.
- In EMEA, industrial sales declined 1%. In constant currency the company grew sales 12%. This continues a strong recovery for this region, primarily driven by product innovation, distribution gains and geographic expansion. Pricing actions to cover higher material costs added 3 percentage points of the year-on-year growth this period.
- Industrial sales in the Asia/Pacific region declined 2%. In constant currency, sales increased 4% as a result of higher volume and product mix, in both Australia and China.

Industrial business operating income, excluding special charges, was \$42 million compared to \$26 million in the year-ago period. In constant currency, adjusted operating income had a strong 24% increase from the year-ago period, with the favorable impact of higher sales, cost savings and favorable product mix more than offsetting the unfavorable impact of higher material costs and increased retirement benefit expense.

Non-GAAP Financial Measures

The table below includes financial measures of adjusted operating income, adjusted earnings per share, and excluding the impact of special charges for the periods presented. These represent non-GAAP financial measures, which are prepared as a complement to our financial results prepared in accordance with United States generally accepted accounting principles. In our consolidated financial statements, we include a section for non-recurring "special charges" in writing up our consolidated operating income. Special charges consist of expenses associated with certain intangible intangibles to the company's intangible assets, primarily or primarily business, and intangible assets and other non-recurring expenses, including the impact of our Chairman and Chief Executive Officer, Chief Operating Officer and President, and President of Global Consumer, Chairman, Vice President and Chief Financial Officer, President Global Industrial, and President EMEA and Asia Pacific, President North America and Senior Vice President, Consumer Business. Upon presentation of any such proposed action, the company will report to shareholders, which generally consist of employees, service and related parties, together with any other group associated with the action that may include a non-union component (regular employees or contractors, expected timing, and expected benefits) to the Management Committee and the Company's advisors, separate associated with the approved action are identified as special charges, upon recognition and resolution on an ongoing basis through completion.

We believe that these non-GAAP financial measures are important for purposes of comparing to prior periods and development of future projections and earnings growth prospects. This information is also used to help management to measure the probability of our ongoing operations and indicate our business performance and trends.

These non-GAAP financial measures may be considered to include adjustments to GAAP but should not be considered a substitute for, or superior to, GAAP results. In addition, these non-GAAP financial measures may be comparable to similar non-GAAP measures used by other companies but not calculated them in the same manner that we do. We intend to continue to provide these non-GAAP financial measures as part of our earnings discussions and, therefore, the inclusion of these non-GAAP financial measures will provide consistency in our financial reporting. A reconciliation of these non-GAAP financial measures to the related GAAP financial measures is provided below:

(in millions except per share data)	Three months ended		Six months ended	
	3/31/2015	3/31/2014	6/30/2015	6/30/2014
Operating income	\$ 15.8	\$ 17.1	\$ 31.9	\$ 23.2
Adjusted operating income	\$ 19.8	\$ 17.1	\$ 37.4	\$ 23.2
% increase (decrease) versus prior period	0.0	0.0	8.6%	8.6%
Net income	\$ 14.3	\$ 14.5	\$ 28.8	\$ 18.7
Impact of special charges net of tax of \$5.1 and \$1.6 for three and six month periods, respectively	\$ 1.5	\$ 0.0	\$ 8.6	\$ 0.0
Adjusted net income	\$ 15.8	\$ 14.5	\$ 37.4	\$ 18.7
% increase versus prior period	10.0	0.0	12.0	0.0
Earnings per share	\$ 0.66	\$ 0.64	\$ 1.30	\$ 1.27
Impact of special charges	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

Adjusted earnings per share \$ 0.79 \$ 0.64 \$ 1.40 \$ 1.27
 % increase annual rate period 17.2% 2.4%

Percentage changes in sales and adjusted operating income expressed in "constant currency" are presented excluding the impact of foreign currency exchange. To present this information for historical periods, current period results for sales and adjusted operating income are translated into U.S. dollars at the average exchange rate in effect during the corresponding period of the prior fiscal year, rather than at the actual average exchange rate in effect during the current fiscal year. As a result, the foreign currency impact is equal to the current year results in local currencies multiplied by the change in the average foreign currency exchange rate between the current fiscal year and the corresponding period of the prior fiscal year. Constant currency growth rates table:

Twelve Months Ended May 31, 2015			
	Percentage Change as Reported	Impact of Foreign Currency Exchange	Percentage Change on Constant Currency Basis
Net sales			
Consumer business	0.8%	(1.3)%	2.1%
ASPCA	(18.6)%	(18.6)%	0.0%
ASPPAC	2.5%	(2.5)%	0.0%
Total consumer business	0.8%	(1.3)%	2.1%
Industrial business	2.6%	(2.7)%	0.0%
ASPCA	11.6%	(11.6)%	0.0%
ASPPAC	0.0%	0.0%	0.0%
Total industrial business	2.6%	(2.7)%	0.0%
Total net sales	0.8%	(1.3)%	2.1%
Adjusted operating income			
Consumer business	(5.8)%	(5.7)%	(0.1)%
Industrial business	17.3%	(5.4)%	22.7%
Total adjusted operating income	1.0%	(5.8)%	3.8%

Six Months Ended May 31, 2015			
	Percentage Change as Reported	Impact of Foreign Currency Exchange	Percentage Change on Constant Currency Basis
Net sales			
Consumer business	2.2%	(1.2)%	3.4%
ASPCA	(17.2)%	(17.2)%	0.0%
ASPPAC	2.6%	(2.6)%	0.0%
Total consumer business	2.2%	(1.2)%	3.4%
Industrial business	3.7%	(3.5)%	0.2%
ASPCA	(0.2)%	(0.2)%	0.0%
ASPPAC	10.2%	(10.4)%	0.4%
Total industrial business	3.7%	(3.5)%	0.2%
Total net sales	3.2%	(4.3)%	3.7%
Adjusted operating income			
Consumer business	(4.3)%	(4.1)%	(0.2)%
Industrial business	13.8%	(3.2)%	17.0%
Total adjusted operating income	0.8%	(4.5)%	3.3%

To present "constant currency" information for the first year 2015 projection, projected sales and adjusted operating income for entities reporting in currencies other than the U.S. dollar are translated into U.S. dollars at the company's budgeted exchange rate for 2015 and are compared to the 2014 results, translated into U.S. dollars using the same 2015 budgeted exchange rate, rather than at the average actual exchange rate in effect during fiscal year 2014. To estimate the percentage change in adjusted operating income on a constant currency basis, a similar calculation is performed to the one in adjusted net income because an adjustment is made for the company's share of income unaccounted for entities that are denominated in currencies other than the U.S. dollar/divided by historical sales outstanding for fiscal year 2014 or projected sales outstanding for fiscal year 2015, as appropriate.

Fiscal year 2014 actual results and 2015 projection

Twelve Months Ended			
	2014 Reported	2015 Actual	2015 Projected
Operating income	\$ 102.9	\$ 102.9	\$ 102.9
Special charges	0.0	0.0	0.0
Adjusted operating income	\$ 102.9	\$ 102.9	\$ 102.9
Earnings per share	\$1.18 to \$1.25	\$ 1.24	\$ 1.24
Impact of special charges	0.00	0.00	0.00
Adjusted earnings per share	\$1.18 to \$1.24	\$ 1.24	\$ 1.24
Percentage change in adjusted earnings per share	26.1%	0.0%	0.0%
Impact of foreign currency exchange rate	0.0%	0.0%	0.0%
Percentage change in adjusted earnings per share on constant currency basis	26.1%	0.0%	0.0%

All amounts presented, McCormick will hold a conference call with analysts today at 7:30 a.m. ET. The conference call will be webcast live via the McCormick web site. Go to www.mccormick.com and follow the directions to listen to the call and access the accompanying presentation materials. At this same location, a replay of the call will be available following the live call. Past press releases and additional information can be found at this address.

Forward-Looking Information
 Certain information contained in this release, including statements concerning expected performance such as sales, earnings, cost savings, acquisitions and brand marketing support, are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. These statements may be identified by the use of words such as "may," "will," "expect," "anticipate," "intend," "believe" and "plan." These statements may relate to the expected results of operations of businesses acquired by the company, the expected impact of new market entry and pricing actions on the company's results of operations and profitability and working capital requirements, expectations regarding growth potential in various geographic and market, expected trends in net sales and earnings performance, the expectations of persons and government plan contributions and structural changes associated with such plans, the holding period and market rate sales associated with financial instruments, the impact of foreign exchange fluctuations, the adequacy of inventory, government bonds and working capital of liquidity, such as the availability of bank financing, the ability to raise additional debt or equity securities and expectations regarding purchasing shares of McCormick's common stock under the existing authorizations.
 These and other forward-looking statements are based on management's best estimates and assumptions that could significantly affect expected results. Results may be materially affected by factors such as damage to the company's reputation or brand name, loss of third-party relationships, product quality, regulatory, or other concerns, negative publicity about our products, business interruptions due to natural disasters or employment events, actions by the financial conditions of competitors and customers, the company's ability to achieve expected and/or needed cost savings or program improvements, negative employee relations, the successful acquisition and integration of new businesses, issues affecting the company's supply chain and raw materials, including fluctuations in the cost and availability of raw and packaging materials, government regulations, and changes in legal and regulatory requirements and enforcement practices, global economic and financial conditions generally, including the availability of financing, and interest and inflation rates, the investment return on retirement plan assets, and the cost of debt and equity financing. Forward-looking statements are subject to risks and uncertainties that could significantly affect the company's information technology systems, its brand of data breaches and cyber attacks, liability to the extent of data breach or data misuse, management of intellectual property rights, and other of customer, supplier, legal and administrative proceedings and other risks discussed in the company's filings with the Securities and Exchange Commission.
 Actual results could differ materially from those projected in the forward-looking statements. The company undertakes no obligation to update or revise publicly, any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

About McCormick
 McCormick & Company, Incorporated is a global leader in flavor. With \$4.2 billion in annual sales, the company manufactures, markets and distributes spices, seasoning mixes, condiments and other flavorful products to the entire food industry – retail outlets, food manufacturers and foodservice businesses. Every day, no matter where or when you eat, you can enjoy food flavored by McCormick. McCormick (NYSE:MKC) is a member of the Pepsico Inc. family of companies.

For more information, visit www.mccormick.com

For information contact:
 Investor Relations
 Joyce Brucki (415) 771-7244 or joyce.brucki@mccormick.com

Corporate Communications
 Lori Williams (415) 527-5504 or lori.williams@mccormick.com

(Financial tables follow)

Second Quarter Report McCormick & Company, Incorporated

Consolidated Income Statement (Unaudited)
 (in millions except per share data)

	Twelve months ending		Six months ending	
	May 31, 2015	May 31, 2014	May 31, 2015	May 31, 2014
Net sales	\$ 1,024.1	\$ 1,033.1	\$ 520.4	\$ 520.8
Cost of goods sold	482.1	492.1	235.1	235.1
Gross profit margin	53.4%	53.2%	55.0%	55.7%
Selling, general and administrative expenses	102.9	111.2	47.4	48.7
Interest expense	12.8	12.1	6.5	3.4
Other income, net	3.6	3.6	1.8	1.8
Income from consolidated operations before income taxes	91.4	108.1	17.2	21.1
Income taxes	14.5	16.6	6.8	6.8
Net income from consolidated operations	76.9	91.5	10.4	14.3
Income from unconsolidated operations	7.4	7.4	3.7	3.7
Net income	\$ 84.3	\$ 98.9	\$ 14.1	\$ 18.0
Earnings per share - basic	\$ 0.66	\$ 0.60	\$ 0.23	\$ 0.28
Earnings per share - diluted	\$ 0.65	\$ 0.60	\$ 0.22	\$ 0.27
Average shares outstanding - basic	127.8	133.2	138.1	136.0
Average shares outstanding - diluted	128.6	133.2	138.1	137.1

Second Quarter Report McCormick & Company, Incorporated

Consolidated Balance Sheet (Unaudited)
 (in millions)

	May 31, 2015	May 31, 2014
Assets		
Cash and cash equivalents	\$ 185.2	\$ 171.7
Trade accounts receivable, net	79.4	87.7
Inventory	189.2	189.9
Prepaid expenses and other current assets	1,293.9	1,247.4
Property, plant and equipment, net	598.1	575.0
Goodwill	1,719.9	1,746.9
Intangible assets, net	344.6	347.4
Investments and other assets	145.2	136.6
Net assets	\$ 4,078.4	\$ 4,033.9
Liabilities		
Short-term borrowings and current portion of long-term debt	\$ 423.6	\$ 308.4
Trade accounts payable	173.4	173.8
Other accrued liabilities	107.8	108.0
Total current liabilities	704.8	590.2
Long-term debt	469.7	476.8
Deferred income taxes	100.0	100.0
Total liabilities	2,684.5	2,543.8
Shareholders' equity		
Common stock	1,416.6	1,416.6
Retained earnings	1,024.4	969.3
Accumulated other comprehensive (loss) income	(234.7)	18.2
Non-controlling interests	10.1	13.0
Total shareholders' equity	\$ 1,416.4	\$ 1,417.1

Second Quarter Report McCormick & Company, Incorporated

Consolidated Cash Flow Statement (Unaudited)
 (in millions)

	Six Months Ended	
	May 31, 2015	May 31, 2014
Operating activities		
Net income	\$ 14.1	\$ 18.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33.5	33.5
Stock based compensation	13.9	12.1
Income from unconsolidated operations	(7.5)	(7.5)
Change in operating assets and liabilities	(36.2)	(31.0)
Dividends from unconsolidated affiliates	2.2	2.4
Net cash flow provided by operating activities	18.0	18.1
Investing activities		
Acquisition of businesses (net of cash acquired)	(111.5)	—
Capital expenditures	(43.7)	(47.4)
Proceeds from sale of property, plant and equipment	133.1	137.7
Net cash flow used in investing activities	(22.1)	(17.1)
Financing activities		
Short-term borrowings, net	148.2	141.3
Long-term debt repayments	(5.0)	(5.0)
Proceeds from unconsolidated stock options	1.2	1.8
Common stock repurchased by purchase	(88.8)	(126.3)
Dividends paid	(105.0)	(111.7)
Net cash flow used in financing activities	(59.4)	(100.9)
Effect of exchange rate changes on cash and cash equivalents	(3.3)	(3.3)
Increase in cash and cash equivalents	2.2	1.4
Cash and cash equivalents at beginning of period	77.3	75.9
Cash and cash equivalents at end of period	\$ 79.5	\$ 77.3

To view the original version on PR Newswire, visit <http://www.prnewswire.com/stories/newswire/mccormick-reports-second-quarter-results-and-provides-2015-financial-outlook-300727777.html>

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